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FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 0776
INFO RUEHBJ/AMEMBASSY BEIJING 7723
RUEHRL/AMEMBASSY BERLIN 1592
RUEHBY/AMEMBASSY CANBERRA 3033
RUEHLO/AMEMBASSY LONDON 2343
RUEHFR/AMEMBASSY PARIS 6425
RUEHUL/AMEMBASSY SEOUL 3746
RUEHGP/AMEMBASSY SINGAPORE 7343
RUEHNAG/AMCONSUL NAGOYA 0250
RUEHNH/AMCONSUL NAHA 4765
RUEHOK/AMCONSUL OSAKA KOBE 6208
RUEHFK/AMCONSUL FUKUOKA 2421
RUEHKSO/AMCONSUL SAPPORO 2972
RUEHHK/AMCONSUL HONG KONG 6702
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEHBS/USEU BRUSSELS
RULSDMK/DEPT OF TRANSPORTATION WASHINGTON DC
RUEATRS/TREASURY DEPT WASHDC

UNCLAS SECTION 01 OF 02 TOKYO 000345

SENSITIVE
SIPDIS

STATE FOR EAP/J, EEB/TRA, EEB/TTP/MTAA FOR B. NAFZIGER
STATE PASS USTR FOR R. MALMROSE, W. CUTLER, AND M. BEEMAN
DEPARTMENT OF COMMERCE FOR K. ROTH AND D. BARZDUKAS

E.O. 12958: N/A

TAGS: [EIND](#) [ETRD](#) [SENV](#) [PREL](#) [WTO](#) [EFIN](#) [ENRG](#) [JA](#)
SUBJECT: PROGRAMS FOR JAPAN'S AUTOMAKERS

REF: A. STATE 4753

- [1](#)B. TOKYO 286
- [1](#)C. TOKYO 174
- [1](#)D. TOKYO 187
- [1](#)E. TOKYO 189
- [1](#)F. TOKYO 219
- [1](#)G. TOKYO 228

[1](#)1. (SBU) Summary: Although car manufacturers in Japan have been hit hard by the global economic crisis -- with six of the country's eight auto manufacturers reporting losses last year -- none is clamoring for a bailout. The GOJ has adopted an incremental approach to assist the auto industry with key measures falling into two categories: initiatives aimed directly at auto manufacturers and other, more broadly focused relief measures. Given the protracted budget debates in the Diet, it remains uncertain what final form these measures will take, if approved at all. End Summary.

[1](#)2. (U) The following points are responses keyed to the requests in ref A. Refs B - G contains previous post reporting on auto and related issues.

[1](#)3. (U) Auto Sector-Specific Initiatives

-- Tax breaks for environmentally-friendly vehicles:

Lawmakers in the Diet continue to deliberate on proposals to lower the National Tonnage Tax and the prefectural-level Automobile Acquisition Tax, two of the nine levies on new vehicle purchases, by April 2009. Reductions could range from 50 to 100 percent on next-generation vehicles (e.g., fuel-cell, plug-ins, hybrids), depending on the level of fuel efficiency and emissions. Hybrid and electric car purchases would be exempt from the more substantial Automobile Acquisition Tax, which typically equals five percent of the cost of the vehicle.

-- Funding for next-generation vehicles and fuel cells:

In the FY09 budget which the Diet is now considering, the Ministry of Economy, Trade, and Industry (METI), in line with the GOJ's goal for next-generation vehicles to constitute half of new auto sales by 2020, proposes 29.7 billion yen (\$292 million) to introduce and develop next-generation vehicles and fuel cells. The proposal includes 5.3 billion yen (\$58 million) for the introduction of clean-energy automobiles, including plug-in hybrids, Clean Natural Gas vehicles, and accompanying infrastructure such as charging stations. The METI's budget request also includes 800 million yen (\$8.8 million) in new funding for non-feedstock bio-ethanol production and three billion yen (\$32.8 million) for fundamental research on innovative battery technologies.

14. (U) Non-Specific Industry Initiatives

-- Fund infusions and government-backed capital stakes:

The Cabinet recently approved revision of the Industrial Revitalization Law. The amended law would allow the Development Bank of Japan (DBJ) to take non-voting preferred equity in both financial and non-financial firms. The DBJ can provide up to 1.5 trillion yen (\$16.4 billion) in guarantees covering 50 to 80 percent of any losses, which would be offset through public lender Japan Finance Corporation (JFC).

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-- Emergency financing:

The Japan Bank for International Cooperation (JBIC) announced emergency financing, loans and debt guarantees in December 2008 to companies faced with tight restrictions on access to credit in developed countries. The Cabinet-approved temporary measure stipulates the "competent minister in due course" will identify which industries are having "significant difficulties... maintaining their international competitiveness due to the global financial turmoil." The media report Nissan intends to request 50 billion yen (\$54.7 million) in low-interest JBIC loans.

-- Financial support for overseas subsidiaries:

Nippon Export and Investment Insurance (NEXI) began offering working capital, commercial risk coverage, and liquidity support for Japanese overseas subsidiaries in January 2009. Honda representatives told emboffs it might apply for the JBIC and NEXI programs (ref B).

-- Wage subsidies:

The Ministry of Health, Labour and Welfare (MHLW) offers a wage supports for companies whose production and employment volume have dropped by a specified amount. The program aims to prevent lay-offs by paying a portion of workers' wages or training costs during production suspensions. Mazda reportedly plans to apply for help under this program.

-- Employment support for SMEs:

The GOJ's first supplemental budget for FY08 includes 6.94 billion yen (\$75.9 million) in employment support for SMEs. This figure breaks down to 4.5 billion yen (\$49.2 million) to help SMEs affected by high raw material prices retain workers and 2.5 billion yen (\$27.4 million) to create jobs in areas with the highest unemployment.

-- Commercial paper purchases:

The Bank of Japan (BOJ) announced January 22 it will purchase up to three trillion yen (\$32.8 billion) in commercial paper (for large enterprises) and asset-backed commercial paper

(for small and medium-sized enterprises).

-- Purchases of ailing stocks:

The BOJ announced February 3 a plan to purchase up to one trillion yen (\$10.9 billion) in bank shares to reduce stock market-related exposure risks. Under the plan, the BOJ would initiate bank-held share purchases through the end of April 2010 and hold them through the end of March 2012. The BOJ would purchase stocks of listed companies at market prices based on approval by the Minister of Finance and Financial Services Agency Commissioner.

ZUMWALT